

14. Profits and Losses on Disposition of Plant Equipment, or Other Capital Assets

Profits and losses of any nature arising from the sale or exchange of plant, equipment, or other capital assets, including sale or exchange of either short- or long-term investments, shall be excluded in computing contract costs. However, the Medicare/Medicaid program allows certain adjustments to the allowable depreciation cost of depreciable assets to reflect disposition gains or losses. Refer to the Medicare principles of reimbursement for further explanation.

15. Public Information Services Costs

Public information services costs include the costs associated with promotions, public relations, pamphlets, news releases, and other forms of information services. Such costs are normally incurred to:

- a. inform or instruct individuals, groups or the general public about health or social problems;
- b. interest individuals or groups in participating in a service program of the institution;
- c. provide stewardship reports to State and local government agencies, benefactor foundations and associations, etc.;
- d. appeal for funds;
- e. disseminate the results of sponsored and non-sponsored research or other activity.

To the extent that the costs incurred for any of these purposes are identifiable with a particular cost objective they should be charged to the objective to which they relate.

If these costs are not identifiable with a particular cost objective, they should be allocated as indirect costs to all major activities of the institution except that costs related to fund-raising appeals are unallowable as costs of contracts.

Public information service costs are unallowable as a direct cost of contracts unless formally approved by the awarding agency.

16. Publication and Printing Costs

Publication costs include the costs of printing (including the processes of composition, platemaking, press work, binding and the end products produced by such processes), distribution, promotion, mailing and general handling.

Publication costs are unallowable as a direct cost of contracts unless formally approved by the awarding agency.

SECTION 4 - PROVIDER FISCAL MANAGEMENT RESPONSIBILITIES

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PROVIDER FISCAL MANAGEMENT RESPONSIBILITIES

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4.1 RETENTION AND ACCESS REQUIREMENTS FOR RECORDS

The provider agency and its subcontractors are required to maintain adequate books and records, supporting documents, statistical records and all other records pertinent to the contract program services and expenditures. All such books and records must be retained for five (5) years from the termination or expiration date of the service agreement, with the following qualifications:

- (1) The records must be retained beyond the five (5) year period if any litigation, claim, negotiation, audit or other action involving the records have not been resolved.
- (2) Records for equipment which was acquired with Federal/State funds must be retained for three (3) years after its final disposition or replacement or transfer at the direction of the awarding party.
- (3) When contract records are transferred to or maintained by the Department or Division, the five (5) year retention requirement is not applicable to the agency.

The agency's residential, treatment, and social services facilities shall be available to the Department/Division, the State Department of Treasury, the State Office of Fiscal Affairs and any appropriate federal agency or any persons or organizations engaged thereby, for visitation. The agency shall during regular business hours make available to all such governmental agencies, or any persons or organizations engaged thereby, its financial, statistical and program information and any other data relating to the contract, program services and expenditures in order to make audit, examination, inspection, excerpts and transcripts.

All examinations, inspections, audits and visitations shall be conducted in accordance with generally accepted standards of privilege and confidentiality.

The agency shall treat all personal records (including but not limited to case records) of division placements as confidential and except upon court order shall not, without approval by notice from the Division, and except in accordance with such restrictions as may be contained in such approval, release in any manner any portion of such records to other than authorized personnel of the agency or the Division. However, if the agency's facilities are outside the State of New Jersey authorized personnel includes that of such other state's local or state government.

The rights of access to records described above shall not be limited to the five (5) year retention period but shall last as long as the records are retained.

Copies made by microfilming, photocopying, or similar methods may be substituted for the original records.

4.2 INTERNAL CONTROL

A strong internal control system is a combination of policies, standards and procedures which, when used together, will prevent unauthorized acts and will preserve the assets and reputation of an organization. It is a top management responsibility that cannot be delegated although most of the work will be assigned to definite staff members in well-run organizations. Internal control deals with ensuring that the organization is functioning as planned; managerial policies are being adhered to; managerial and supervisory controls are being exercised as planned; assets are safeguarded; and accounting data is accurate and reliable.

The general objective of effective internal control is to provide positive assistance in carrying out duties and responsibilities effectively, efficiently and economically giving due regard for necessity for complying with requirements and restrictions of contracts and applicable laws and regulations. Specific objectives are to restrict obligations and expenditures to a minimum; safeguard assets against waste, loss or improper/unnecessary use; ensure that all income is collected and/or properly accounted for; and ensure accuracy and reliability of financial and statistical reports.

Financial management system design must consider policies, organization, segregation of duties/functions, information systems, authorization and record procedures, expenditure control, safeguarding resources, personal accountability, qualifications of personnel, supervision and review. Effective internal financial control can prevent theft, fraud, forgery, kickbacks, innocent mistakes that can raise questions of fraud or mismanagement, and adverse publicity.

The general requirements necessary to achieve effective internal financial control include:

- (1) a system of checks and balances entailing specific routine procedures and a careful separation of functions;
- (2) accounting, recordkeeping, and reporting in accordance with sound, established business practices;
- (3) expenditure control policies and procedures which include specific, prudent authorization practices; and
- (4) monthly reconciliation of bank accounts by someone not involved in cash or recording transactions.

Several specific requirements apply to the way disbursements and payroll are handled.

(1) Disbursements

The following represent sound basic rules with regard to disbursements:

- (a) Checks must be drawn on a bank authorized by the Board of Directors.
- (b) Checks should be prenumbered, and voided checks must be carefully controlled and accounted for.
- (c) Checks should be signed by authorized personnel.
- (d) Signed checks should not be returned to persons who prepared them.
- (e) Disbursements should be supported by such records as invoices, receiving reports, and purchase orders approved by someone not involved in purchasing or receiving.

(2) Payroll

In addition to the generally applicable disbursement requirements enumerated above, the following represent sound rules with regard to payroll:

- (a) Payroll procedures should be written.
- (b) Attendance records should be kept, but not in the payroll office.
- (c) Signed checks should not be returned to the payroll office.
- (d) Persons distributing paychecks should not have access to blank checks.
- (e) The distribution of pay should be witnessed.

4.3 PROPERTY MANAGEMENT STANDARDS

This section prescribes uniform standards governing title, use and disposition of real and tangible personal property furnished by the Federal, State or Local governments or whose acquisition costs were borne in whole or in part with funds from the Federal, State or Local governments.

DEFINITIONS

Acquisition - Acquisition of property includes purchase, construction or fabrication of property, but does not include rental of property or alterations and renovations of real property.

Acquisition Cost - Acquisition Cost of an item of purchased equipment means the net invoice price of equipment, including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment usable for the purpose for which it was acquired. Other charges such as the cost of installation, transportation, taxes, duty or protective in-transit insurance shall be included in or excluded from the unit acquisition cost in accordance with regular accounting practices of the organization purchasing the equipment. If the item is acquired by trading in another item and paying an additional amount, "acquisition cost" means the amount received for trade-in plus the additional outlay.

Trade-in - Amount received for trade-in of an item of equipment traded in for replacement equipment means the amount that would have been paid for the replacement equipment without a trade-in minus the amount paid with the trade-in. The term refers to the actual difference, not necessarily the trade-in value shown on an invoice.

Equipment - Equipment means tangible personal property having a useful life of more than one year and an acquisition cost of \$300 or more per unit.

Personal Property - Personal property means property of any kind except real property. It may be tangible, having physical existence, or intangible, and having no physical existence, such as patents, inventions, and copyrights.

Real Property - Real property means land, including land improvements, structures and appurtenances thereto, but excluding movable machinery and equipment.

Replacement Equipment - Replacement equipment means property acquired to take the place of other equipment. To qualify as replacement equipment, it must serve the same function as the equipment replaced and must be of the same nature or character, although not necessarily the same model, grade, or quality.

Supplies - Supplies means all tangible personal property other than equipment.

REAL PROPERTY

Subject to the obligations and conditions set forth in this section, title to real property, equipment, and supplies acquired under contract shall vest, upon acquisition, in the agency.

Except as otherwise provided by Federal and State statutes, real property to which this section applies shall be subject to the following requirements, in addition to any other requirements imposed by the terms of the contract:

- (1) Use. The property shall be used for the originally authorized purpose as long as needed for that purpose. When no longer so needed, approval of the Division may be requested to use the property for other purposes. Use for other purposes shall be limited to:
 - (a) projects or programs supported by other State contracts or agreements;
 - (b) activities not supported by other State contracts or agreements but having, nevertheless, purposes consistent with those of the legislation under which the original contract was made.
- (2) Transfer of Title. Approval may be requested from the Division to transfer title to an eligible third party for continued use for authorized purposes in accordance with paragraph (1) of this section. If approval is permissible under Federal and State statutes and is given, the terms of the transfer shall provide that the transferee shall assume all the rights and obligations of the transferor set forth in the Property Management Standards of this Manual or in other terms of the contract.
- (3) Disposition. When the real property is no longer to be used as provided in paragraphs (1) and (2) of this section, the disposition instructions of the Division shall be followed. Those instructions will provide for one of the following alternatives:
 - (a) The property shall be sold and the Division shall be paid an amount computed by multiplying the State share of the property (see State Share of Property below) times the proceeds from sale (after deducting actual and reasonable selling and fix-up expenses, if any, from the sales proceeds). Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.
 - (b) The recipient shall have the option either of selling the property in accordance with paragraph 3(a) of this section or of retaining title. If title is retained, the State government shall be paid an amount computed by multiplying the market value of the property by the State share of the property.

- (c) The recipient shall transfer the title to either the State government or an eligible non-State party named by the Division. The agency shall be entitled to be paid an amount computed by multiplying the market value of the property by the non-State share of the property.

EQUIPMENT AND SUPPLIES

- (1) **State Transfer Right.** For items of equipment having a unit acquisition cost of \$1,000 or more, the Division shall have the right to require transfer of the equipment (including title) to the State government or to an eligible non-State party named by the Division. This right will normally be exercised by the Division only if the project or program for which the equipment was acquired is transferred from one agency to another. The right shall be subject to the following conditions:
- (a) In order for the Division to exercise the right, a specific notice that it is exercising the right or considering doing so must be issued no later than the 120th day after the end of the contract for which the equipment was acquired. In addition, the notice must have been received by the agency before other permissible disposition of the equipment took place in accordance with paragraph (6) below (Disposition of Equipment).
- (b) If the right is exercised, the agency shall be entitled to be paid any reasonable, resulting shipping or storage costs incurred, plus an amount computed by multiplying the market value of the equipment by the non-State share of the equipment. (See State share of Real Property, Equipment, and Supplies below.)
- (2) **Right of Agency Awarding Subcontracts.** When an agency awards a subcontract, it may reserve for itself a right similar to that in paragraph (1) of this section for items of equipment having a unit acquisition cost of \$1,000 or more which are acquired under that subcontract. Without the approval of the Division, the right may be exercised only if the project or program for which the equipment was acquired is transferred to another subcontractor and only for the purpose of transferring the equipment to the new subcontractor for continued use in the project or program.
- (3) **Equipment Lists.** If at any time an awarding party is considering exercising its right to require transfer of equipment, it may require the recipient to furnish a listing of all items of equipment that are subject to the right. This will enable the awarding party to determine which items, if any, should be transferred.
- (4) **Use of Equipment.** Equipment which has not been transferred shall be used by the recipient in the project or program for which it was acquired as long as needed, whether or not the project or program continues to be supported by State funds. When no longer needed for the original project or program, the recipient shall use the equipment, if needed, in other projects or programs currently or previously sponsored by the State Government, in the following order or priority: